

From: Wayne Hedberg
To: Lowell Braxton, Mary Ann Wright, Patrick O'Hara,...
Date: Mon, Aug 16, 1999 9:30 AM
Subject: Geneva Steel Meeting - Chapter 11 Update (M/021/008 & M/049/001)

On August 13, 1999, Division staff (Mary Ann Wright, Wayne Hedberg & Doug Jensen) met with Clyde Gabittas of Geneva Steel. The purpose of the meeting was to discuss the status of Geneva's Chapter 11 bankruptcy and their plans for continued mining operations at the Iron Mountain Mine and Keigley Quarry.

Mr. Gabittas explained that Geneva was doing quite well with the corporate restructuring and has increased steel production to 100-105,000 tons/month (@3500 T/day). This is up from roughly 30,000 tons/month earlier this year (normally produce @150,000 tons/mth). Most of their market is in the production of narrow and wide band coils and heavy plates (2" thick X 120" wide).

They hope to bring their second blast furnace on line again soon with the increase in sales. They have 3 blast furnaces presently at the mill. Apparently the flood of imported steel on the U.S. market has declined significantly. Staff has been reduced from 2600 employees to around 1600 presently. Mr. Gabittas believes Geneva may be totally out of the bankruptcy mode by the end of 1999 or first quarter of 2000.

Mr. Gabittas brought in several bound copies of a series of slides/overheads from a restructuring plan/progress report Geneva had prepared. He also gave us several copies of a June 28, 1999 federal register describing an EIS that is now being prepared by the U. S. Department of Energy (DOE) for a proposed iron smelting and electrical generating project. The plan describes a new high technology steel manufacturing and clean power proposal [Integrated Coal/Ore Reduction (CPICOR) Project]. This project is intended to be a joint venture with the DOE who signed a Cooperative Agreement with Geneva and CPICOR Management Company on October 11, 1996 to build and operate a High Intensity Smelting (Hismelt) ironmaking facility (in Geneva's existing Orem mill) with technology to generate electricity (160 - 240 megawatts) using steam heated by combustion gas from the Hismelt process.

Apparently there is only one other Hismelt facility in the world presently operating in Austria (@1000/T/day??). Geneva has shipped and tested some of their Iron Mountain mine iron ore at this facility which proved very successful. The iron ore from Geneva's Iron Mountain mine cannot be used in the Orem plant blast furnaces because of its high silica content which plugs the furnaces. This new Hismelt process will eliminate the need for blast furnaces and allow Geneva to again utilize the high silica iron ore reserves from their Iron Mountain mine. The new technology does not require coke in the smelting process and allows the direct use of crushed coal in its place. Presently, Geneva imports most of its coke from China and ships iron ore pellets by rail from its Minntac plant in Minnesota to the Orem smelting facility. If the new pilot project is successful, significant cost savings will result.

A 6 X 6 meter (?) pilot scale smelting unit will be built under the jointly funded agreement with the DOE. If all goes according to plans, it is scheduled to be up and running by 2003. Mr. Gabittas stated if this project proves successful, Geneva would build another 8 X 8 meter smelting unit to be operating by 2008. The initial project will cost @\$1 billion and DOE will provide @15% of the funding, assuming the final results of the EIS are favorable.

Presently, Geneva's Keigley Quarry is actively producing dolomite and limestone ore which is used in the blast furnaces, in producing rock dust and other aggregate products. Mr. Gabittas said that they are using or selling everything produced from this mine with no wastes going to the dumps. The Iron Mountain mine remains inactive and will likely stay suspended until the new facility is built allowing them to again use of the high silica iron ore reserves. We asked Mr. Gabittas to send us a formal letter stating their short and long terms plans for continued suspension of mining operations at their Iron Mountain mine. Mining activities have been suspended at Iron Mountain since late 1995. Mr. Gabittas agreed to send us this letter as soon as possible.

We also discussed the need to schedule another site visit to the Iron Mountain Mine to resolve an outstanding mitigation requirement under the latest approved mine plan revision. Alternate (prelaw disturbances?) areas must be selected to replace the Tip Top and Chesapeake waste dumps which will not be reclaimed due to the extreme steepness of the slopes. A 2:1 replacement ratio was approved in the reclamation plan.

A copy of this meeting memo will be copied to Geneva's mine files (M/021/008 & M/049/001).

CC: Minerals